



North Dakota Office of State Tax Commissioner

2007 S Corporation Income Tax

Cory Fong, Tax Commissioner

Form 60

Includes:

Schedule FACT
Schedule BG
Schedule K
Schedule KS
Schedule K-1

Need help?

Go to our web site:

www.nd.gov/tax

Download forms

**Check our FAQs
(frequently asked
questions)**

**E-mail your
questions:**

corptax@nd.gov

Dear Taxpayer,

The 2007 Form 60 and its instructions contain changes resulting from legislation passed by the 2007 North Dakota Legislature. Please note the following highlights:

- Starting with the 2007 return, the regular penalty and interest provisions will apply for purposes of the passthrough entity withholding and composite filing and payment requirements.
- The use of Form PWA, Passthrough Entity Withholding Adjustment, by a nonresident individual shareholder to reduce the amount of income tax required to be withheld from the shareholder's distributive share of North Dakota income has been incorporated into Schedule KS.
- See "What's new for 2007" for additional highlights of legislative changes and changes to the forms.

The instructions in this booklet are intended to help you prepare an accurate and complete Form 60. I encourage you to carefully read these instructions before completing the return. I invite you to let us know what you think we can do to improve these forms and instructions so that we can serve you better.

If you have questions or need additional forms, go to our web site at **www.nd.gov/tax**. Or see the inside front cover of this booklet if you need to contact us by phone, e-mail, or letter.

Thank you,

Cory Fong,
Tax Commissioner



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Required forms

The following forms are needed to complete Form 60:

Form 60	S corporation return
Schedule FACT	Calculation of North Dakota apportionment factor
Schedule BG	Tax on excess net passive income and built-in gains
Schedule K	Total North Dakota adjustments, credits, and other items distributable to shareholders
Schedule KS	Shareholder information
Schedule K-1	Shareholder's share of North Dakota income (loss), deductions, adjustments, credits, and other items

The following forms may be needed:

Form 60-EXT	S corporation extension payment voucher
Form 101	Application for extension of time to file a North Dakota income tax return
Form PWA	Passthrough entity withholding adjustment

Download these forms from our **web site at www.nd.gov/tax**.

Need help?

You can download forms and find other information on our web site at:

www.nd.gov/tax

E-mail

Individual income tax—

individualtax@nd.gov

Corporation income tax—

corptax@nd.gov

Call

Individual income tax—

Questions **(701) 328-1032**

Forms **(701) 328-3450**

Corporation income tax—

Questions/forms **(701) 328-2046**

Speech/hearing impaired

TDD **(800) 366-6888**

Write

Office of State Tax Commissioner
600 E. Boulevard Ave., Dept. 127
Bismarck, ND 58505-0599

Office

State Capitol, 16th Floor
Monday through Friday
8:00 a.m. to 5:00 p.m.
(except holidays)

Privacy Act Information

In compliance with the Federal Privacy Act of 1974, Public Law 93-579, the disclosure of a social security number or a federal employer identification number on this form is mandatory and is required under Subsections 1 and 7 of N.D.C.C. § 57-38-31. A social security number or federal employer identification number is used as an identification number by the Office of State Tax Commissioner for file control purposes, recordkeeping, and for cross-checking the taxpayer's files with the Internal Revenue Service.



Taxpayer Bill of Rights

You may get a copy of the North Dakota Taxpayer Bill of Rights by contacting the Office of State Tax Commissioner or by going to our web site at
www.nd.gov/tax

Form 60 Instructions

2007

North Dakota S Corporation Income Tax Return

"N.D.C.C." references are to the North Dakota Century Code, which contains North Dakota's statutes.

"N.D. Admin. Code" references are to the North Dakota Administrative Code, which contains North Dakota's rules.

What's new for 2007

Legislative changes

The 2007 North Dakota Legislature passed a number of bills affecting the income tax law for S corporations. Following is a summary of the changes.

Short period return due date

The income tax law that prescribes when an income tax return must be filed was changed to provide that, in the case of a short period return—which is a return covering a period of less than 12 months—the return must be filed by April 15 or by the due date prescribed under federal income tax law, whichever is later. See N.D.C.C. § 57-38-34.

Penalty and interest provisions

Starting with the 2007 tax year, the regular penalty and interest provisions that apply to late payments, etc., will apply for not complying with the passthrough entity withholding and composite filing and payment requirements. See N.D.C.C. § 57-38-31.1.

Employer internship program credit

A new income credit was created for hiring an eligible college student under a qualifying internship program in North Dakota. The credit is 10% of the compensation paid to the eligible student. See N.D.C.C. § 57-38-01.24.

Employer workforce recruitment credit

A new income tax credit was created for using extraordinary recruitment methods to fill an employment position in North Dakota. The credit is 5% of the compensation paid to the new employee during the first 12 months of employment. (*Note: This credit is first allowed on the 2008 income tax return.*) See N.D.C.C. § 57-38-01.25.

Microbusiness credit

A new income tax credit was created for a business that is certified as a microbusiness by the ND Commerce Department. The credit is 20% of the cost of new investment in property and new employment. See N.D.C.C. § 57-38-01.27.

Research expense credit

A new income tax credit was created for conducting qualified research in North Dakota. The credit is 25% of the first \$100,000 of qualified expenses, plus an additional credit on qualified expenses over \$100,000 at a rate dependent on when qualified research is first conducted in North Dakota. See N.D.C.C. § 57-38-30.5.

New endowment fund tax credit

A new income tax credit was created for making a charitable contribution to a qualified endowment fund held by a qualified nonprofit organization located in North Dakota. The tax credit is equal to 40% of the contributions made in a tax year, up to a maximum tax credit of \$10,000. A shareholder who receives a share of this credit must increase the shareholder's North Dakota taxable income by the amount of the shareholder's share of the charitable contribution upon which the credit is calculated, but only to the extent the contribution reduced the shareholder's federal taxable income. If a shareholder is unable to use all of the credit received from the corporation, the unused portion of the credit may be carried forward up to 3 tax years. If any portion of the charitable contribution is subsequently recovered by the corporation, a shareholder who received a share of the credit must repay the credit on the shareholder's income tax return filed for the year in which the recovery occurs. See N.D.C.C. § 57-38-01.21.

Changes to 2007 Form 60

Please note the following major changes made to the 2007 Form 60:

- A new line for penalty and interest amounts was added to page 1 of Form 60.
- The requirement to enter the business code number from the federal S

corporation return has been replaced with a requirement to enter a NAICS (North American Industry Classification System) code from a table provided on the North Dakota Tax Department's web site.

- The instructions to lines 1, 2, 6, 7, and 8 of Schedule K were revised to correct an error. For these items of income and deduction, enter the total (unapportioned) amount on Schedule K—do not multiply by the apportionment factor from Schedule FACT.
- On Schedule KS, Column 6 (North Dakota distributive share of income or loss) was changed to apply to nonresident individual shareholders only. Do not make an entry in Column 6 for any other type of entity, including an estate or trust.
- The instructions to Schedule KS, Column 6, were revised to provide that interest from U.S. obligations is not to be included in a nonresident individual shareholder's North Dakota distributive share of income (loss).
- On Schedule KS, Column 7 (for income tax withheld from a nonresident individual shareholder) was split into two subcolumns. The amount withheld is to be entered in the first of the subcolumns. In the second subcolumn, there is a box that must be checked if the amount of withholding is less than the required 5.54% of the North Dakota distributive share of income because a shareholder completed a Form PWA, Passthrough Entity Withholding Adjustment.
- The instructions for completing lines 1 through 8 in Part 3 of Schedule K-1 were revised to correct an error. In the case of a nonresident individual, estate, or trust shareholder, the amount from Schedule K must be multiplied by (1) the shareholder's profit or loss percentage and (2) the apportionment factor from Schedule FACT.
- Schedule K-1 (Form 60) was revised to incorporate the changes made by the 2007 North Dakota Legislature.

General instructions

Who must file

A 2007 Form 60, *S Corporation Income Tax Return*, must be filed by a corporation that meets both of the following:

- It is required to file a 2007 Form 1120S, *U.S. Income Tax Return for an S Corporation*; and
- It carries on business, or derives gross income from sources, in North Dakota during its 2007 tax year.

Exception for financial institution. If an S corporation is a bank, trust company, bank holding company, or other financial institution defined under N.D.C.C. Section 57-35.3-01(2), it is subject to the North Dakota financial institution tax and must file Form 35, *Financial Institution Tax Return*. Do not complete nor file Form 60 if required to file Form 35.

Nonfiler penalty. If an S corporation does not file Form 60 as required, a minimum \$500 penalty may be assessed if the failure continues after receiving a thirty-day notice to file from the Office of State Tax Commissioner.

When and where to file

The 2007 Form 60 must be filed no later than:

- April 15, 2008, if filing for the 2007 calendar year; or
- The 15th day of the 4th month following the end of the tax year, if filing for a fiscal year beginning in the 2007 calendar year.

Note: Use the 2006 Form 60 if the corporation's fiscal year began in the 2006 calendar year.

Mail Form 60 and all required attachments to:

Office of State Tax Commissioner
600 East Boulevard Ave., Dept. 127
Bismarck, ND 58505-0599

Extension of time to file

An extension of time to file Form 60 may be obtained in one of the following ways:

- Obtain a federal extension.
- Separately apply for a North Dakota extension.

Federal extension. If an extension of time to file the federal corporation return is obtained, it is automatically accepted as an extension of time to file Form 60. If this applies, a

separate North Dakota extension does not have to be applied for, nor does the Office of State Tax Commissioner have to be notified that a federal extension has been obtained prior to filing Form 60. The "Extension" box on page 1 of Form 60 must be checked to indicate that an extension has been obtained.

North Dakota extension. If a federal extension is not obtained, but additional time is needed to complete and file Form 60, a separate North Dakota extension may be applied for by filing Form 101, *Application for Extension of Time to File a North Dakota Tax Return*. This is not an automatic extension—there must be good cause to request a North Dakota extension. Form 101 must be postmarked on or before the due date of Form 60. Notification of whether the extension is accepted or rejected will be provided by the Office of State Tax Commissioner. The "Extension" box on page 1 of Form 60 must be checked to indicate that an extension has been obtained.

Prepayment of tax due. If an extension of time to file Form 60 is obtained and it is expected that there will be a tax due, the expected tax due may be paid on or before the regular due date. To do so, send a check or money order along with a completed 2007 Form 60-EXT, *S Corporation Extension Payment Voucher*, on or before the regular due date of Form 60.

Alternatively, a payment may be sent with a letter containing the following: (1) Name of corporation; (2) Corporation's FEIN; (3) Corporation's address and phone number; and (4) Statement that the payment is a 2007 Form 60-EXT payment.

Extension interest. If Form 60 is filed on or before the extended due date, and any tax due is paid with the return, no penalty will be charged. Interest on the tax due will be charged at the rate of 12% per year from the original due date of the return to the earlier of the date the return is filed or the extended due date.

Penalty and interest

The tax due must be paid by the due date (without extension) of Form 60 to avoid penalty and interest charges. However, if an extension of time to file the return was obtained, the tax due may be paid by the extended due date of the return without penalty, but extension interest will apply at the rate of 12% per year—see **Extension interest** and **Prepayment of tax due** on this page.

If Form 60 is filed on or before its due date (or extended due date), but the tax due is not fully paid with the return, a penalty equal to 5% of the tax due or \$5.00, whichever is greater, must be paid.

If Form 60 is not filed on or before its due date, (or extended due date), a penalty equal to 5% of the tax due or \$5.00, whichever is greater, for the month in which the return was due plus 5% of the tax due for each additional month (or fraction of a month) during which the return remains delinquent must be paid. This penalty may not exceed 25% of the tax due.

In addition to any penalty, interest must be paid at the rate of 1% per month (or fraction of a month), except for the month in which the tax was due, on any tax due that remains unpaid after the due date (or extended due date) of the return.

Note: Starting with the 2007 tax year, these penalty and interest charges apply to the underpayment or late payment of composite income tax and income tax required to be withheld from shareholders.

Estimated tax payment

An S corporation may, but is not required to, make estimated tax payments of income tax expected to be due on Form 60. To make an estimated payment for the 2008 tax year, send a check or money order along with a completed 2008 Form 60-ES, *S Corporation Estimated Tax Payment Voucher*.

Withholding from nonresident individual shareholders

An S corporation must withhold North Dakota income tax at the rate of 5.54% (.0554) from the distributive share of North Dakota income of its nonresident individual shareholders. This requirement does not apply to actual distributions made by the corporation to nonresident individual shareholders during the tax year; instead, the withholding amount is calculated on the shareholders' year-end distributive share and is reported on the Form 60 filed for the tax year. An amount less than 5.54% of the distributive share may be withheld if the shareholder meets certain conditions—see Form PWA for details. Withholding is not required if:

- The distributive share of North Dakota income is less than \$1,000; or

- The nonresident individual shareholder elects to have his or her distributive share of North Dakota income included in, and the tax on it calculated under, the composite filing method—see “Composite filing method” in the next section for more information.

The amount withheld for a shareholder is reported in Column 7, Schedule KS, Form 60. The corporation must submit a payment with Form 60 for the total withholding reported on Schedule KS. See the instructions to Schedule KS and Schedule K-1 (Form 60) for more information.

Composite filing method

A composite filing method is available to an S corporation with one or more eligible shareholders. Under this method, an S corporation files one return, called a “composite return,” on behalf of one or more eligible shareholders. The composite return and the S corporation’s payment of the income tax calculated on it satisfies the North Dakota income tax filing and payment obligations of the eligible shareholders included in it. Therefore, they do not have to file their own North Dakota individual income tax return to report or pay tax on their distributive share of North Dakota income.

The use of the composite filing method by an S corporation is optional, and is a choice that it may make on a year-to-year basis. The corporation does not have to obtain prior approval to use the composite filing method, and it may file a composite return regardless of whether it has income or a loss for the tax year.

Exception to withholding. An S corporation does not have to withhold North Dakota income tax from the distributive share of North Dakota income of an eligible shareholder who elects to be included in a composite return.

Eligible shareholder. An eligible shareholder is an individual who:

- Is a nonresident of North Dakota; and
- Does not have any North Dakota income from other than the S corporation or any other partnership, S corporation, trust, or limited liability company (filing as a partnership or S corporation).

An eligible shareholder may elect to be included in a composite return regardless of the amount of the shareholder’s distributive share of North Dakota income (or loss). In the case of a loss, the composite tax is zero.

Composite filing method procedure. The distributive share of North Dakota income of an electing shareholder is multiplied by the highest individual income tax rate (5.54% for the 2007 tax year) to determine the shareholder’s composite income tax. (If the North Dakota distributive share is a loss, the composite tax is zero.) No adjustments, deductions, or tax credits are allowed in calculating the tax due under the composite filing method. The Form 60 serves as the composite return. The composite income tax calculated for a shareholder is reported in Column 8, Schedule KS, Form 60. The corporation must submit a payment with Form 60 for the total composite income tax reported on Schedule KS.

Election. If an eligible shareholder agrees to be included in a composite return, the corporation’s calculation and reporting of a composite income tax for the shareholder in Column 8 of Schedule KS of Form 60 constitutes the shareholder’s election to be included in the composite return.

Correcting a previously filed return

If a corporation needs to correct an error in Form 60 after it is filed, the corporation must file an amended return. There is no special form for this purpose. See “How to prepare an amended return” below.

If a corporation paid too much tax because of an error in its 2007 Form 60, the corporation generally has three years from the later of the due date (excluding extensions) of the return or the date the return was actually filed in which to file an amended return to correct the error and claim a refund of the overpayment. See N.D.C.C. § 57-38-40 for other time periods that may apply.

How to prepare an amended 2007 return

1. Obtain a blank 2007 Form 60.
2. Enter the corporation’s name, current address, FEIN, etc., in the top portion of page 1 of Form 60.
3. Check the “Amended return” box at the top of page 1 of Form 60.

4. Complete Schedules FACT, BG, K, and KS using the corrected information. Then complete lines 1 through 4 on page 1 of Form 60.
5. Complete line 5 on page 1 of Form 60 by entering the total taxes due from the previously filed 2007 Form 60, page 1, line 4.
6. Complete line 6 (overpayment) or line 9 (tax due), whichever applies. If there is an overpayment on line 6, enter the full amount on line 8 (refund). On an amended return, the amount credited to the next year’s estimated tax (line 7) may not be increased or decreased.
7. Attach a statement explaining the reason(s) for filing the amended return. If it is because of changes the corporation or the IRS made to the corporation’s 2007 Federal Form 1120S, attach a copy of the amended federal return or IRS notice.
8. Complete and provide a corrected Schedule K-1 to the shareholders, as required.

Reporting federal changes

If the Internal Revenue Service (IRS) changes or audits the federal corporation return, or if a corporation files an amended federal corporation return, an amended North Dakota Form 60 must be filed within ninety days after the final determination of the IRS changes or the filing of the amended federal return. Enclose a copy of the IRS audit report or the amended federal corporation return with the amended North Dakota Form 60.

W-2/1099 reporting requirement

Every corporation doing business in North Dakota that is required to file Federal Form 1099 or W-2 must also file one with the Office of State Tax Commissioner. For more information, obtain the document *Income Tax Guideline: Information Returns*.

Use of information

All of the information on Form 60 and its attachments is confidential by law and cannot be given to others except as provided by state law. Information about the shareholders is required under state law so the Office of State Tax Commissioner can determine the shareholder’s correct North Dakota taxable income and verify if the shareholder has filed a return and paid the tax.

General instructions for completing Form 60

Complete Form 60 as follows:

1. Complete Federal Form 1120S in its entirety.
2. Complete Items A through H at the top of page 1 of Form 60—see page 4.
3. Complete Schedule FACT on page 2 of Form 60—see page 4.
4. Complete Schedule BG, if required, on page 2 of Form 60—see page 4.
5. Complete Schedule K on page 3 of Form 60—see page 5.
6. Complete Schedule KS on page 5 of Form 60—see page 7.
7. Complete lines 1 through 11 on page 1 of Form 60—see page 8.
8. Complete Schedule K-1, if required, for the shareholders—see page 8.

Rounding of numbers. Numbers may be entered on the return in dollars and cents, or they may be rounded to the nearest whole dollar. If rounding, drop the cents if less than 50 cents and round up to the next whole dollar amount if 50 cents or higher. For example, \$25.36 becomes \$25.00, and \$25.50 becomes \$26.00.

Fiscal year filers. The tax year for North Dakota income tax purposes must be the same as the tax year used for federal income tax purposes. Use the 2007 Form 60 if the corporation's taxable year began in the 2007 calendar year. *Note: Use the 2006 Form 60 if the taxable year began in the 2006 calendar year.*

Specific line instructions for page 1 of Form 60, Items A-H

Complete Items A through H at the top of page 1 of Form 60. Then complete Schedule FACT, Schedule BG, Schedule K, and Schedule KS before completing lines 1 through 11 on page 1 of Form 60.

Item A Tax year

The same tax year used for federal income tax purposes (as indicated on the federal corporation return) must be used for North Dakota income tax purposes. Check the applicable box. If the corporation uses a fiscal year, enter the beginning and ending dates of the fiscal year. Use the 2007 Form 60 only if the corporation's tax year began in the 2007 calendar year.

Item B Name and address

Enter the legal name of the corporation on the first line of the name and address area. If the corporation publicly operates under a fictitious or assumed name (which, in most states, must be recorded or registered with the state), enter that name on the second line of the name and address area.

Item C Federal EIN

North Dakota uses the federal employer identification number (FEIN) for identification purposes. Enter the federal employer identification number from page 1 of Federal Form 1120S.

Item D Business code number

Enter the business code from the NAICS code list found on the Office of State Tax Commissioner's web site at www.nd.gov/tax. Enter the code that most closely describes the industry from which the corporation derives the majority of its income.

Item E Date incorporated

Enter the date the business incorporated from page 1 of Federal Form 1120S.

Item F Check boxes

Check all applicable boxes, as follows:

Initial return. Check this box if this is the first return filed in North Dakota by the corporation.

Final return. Check this box if this is the last S corporation return to be filed in North Dakota by the corporation.

Farming/ranching corporation. Check this box if the corporation is registered as a farming or ranching corporation with the North Dakota Secretary of State.

Composite return. Check this box if one or more nonresident individual shareholders has elected to be included in a composite return. See "Composite filing method" on page 3 for more information.

Amended return. Check this box if this return is being filed to correct a previously filed 2007 Form 60. See "Correcting a previously filed return" on page 3 for more information.

Extension. Check this box if a federal or state extension of time to file the return was obtained. See "Extension of time to file" on page 2 for more information.

Item G Number of shareholders

Enter the total number of shareholders. Also enter the number of each type of shareholder. For "Trust/estate shareholders," include trusts that are not tax-exempt organizations for federal income tax purposes.

Item H Qualified subchapter S subsidiary

If the corporation is a parent of one or more qualified subchapter S subsidiaries (QSub or QSSS), check the "Yes" box. Otherwise, check "No."

Instructions for Schedule FACT (Form 60, page 2)

All corporations must complete the applicable portions of Schedule FACT as follows:

- **100% North Dakota corporation**
If the corporation conducted all of its trade or business within North Dakota during the tax year, skip lines 1 through 13 and enter 1.000000 on line 14 of Schedule FACT.
- **Multistate corporation**
If the corporation conducted its trade or business both within and without North Dakota during the tax year, it must complete lines 1 through 14 of Schedule FACT. However, if all of its shareholders consist of only North Dakota resident individuals, estates, and trusts, skip lines 1 through 13, enter 1.000000 on line 14, and check the box at the top of Schedule FACT.

Note: For guidance on completing lines 1 through 14 of Schedule FACT, see N.D.C.C. Chapter 57-38.1 and N.D. Admin. Code Chapter 81-03-09.

Instructions for Schedule BG (Form 60, page 2)

An S corporation that is subject to the federal income tax on excess net passive income or built-in gains is subject to North Dakota income tax on the same income and must complete Schedule BG.

Line 6 North Dakota NOL deduction

If the corporation has always been an S corporation, enter zero on this line. However, if a corporation changed from a C corporation to an S corporation under an election first made on or after January 1, 1987, it may carry forward an unused North Dakota net operating loss incurred while a C corporation and deduct it from the apportioned built-in gain subject to North Dakota tax. Complete the **Line 6 Worksheet** on this page to calculate the amount to enter on Schedule BG, line 6. **Attach a copy of the worksheet to Form 60.**

Instructions for Schedule K (Form 60, page 3)

All corporations must complete Schedule K. The purpose of this schedule is to show the total amount of North Dakota adjustments, credits, and other items distributable to its shareholders. These items may be applicable to the preparation of the shareholders' North Dakota income tax returns.

If the corporation is a partner in a North Dakota partnership, include on the applicable lines of Schedule K similar adjustments, credits, etc., received from the partnership as shown on the North Dakota Schedule K-1 (Form 58) received from the partnership.

Line 1 Income from state, local, and foreign securities and bonds

Enter on this line the total interest and dividends from foreign securities and from securities (or bonds) of state and local governments exempt from federal income tax. **Do not** include interest income from securities (or bonds) issued by North Dakota or its political subdivisions. If any portion of the non-North Dakota source income is treated as nonbusiness income subject to

allocation under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08, do not include the nonbusiness income portion on this line. Include the nonbusiness portion on Schedule K, line 21.

Line 2 State and local income taxes

Enter on this line the total taxes measured by income that were incurred by the corporation and deducted in calculating the corporation's ordinary income (loss). Include franchise or privilege taxes measured by income paid to any taxing authority including a foreign country.

Line 3 Interest from U.S. obligations

Enter on this line interest income from U.S. obligations and from securities the interest of which is specifically exempted from state income tax by federal statute. Include the portion of dividend income from a mutual fund attributable to the fund's investment in the same kinds of securities.

Do not enter on this line interest income from securities of the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), or Government National Mortgage Association (Ginnie Mae), nor from a federal income tax refund or repurchase agreement. **Attach a statement identifying the specific securities from which the interest was derived.**

Line 4 Renaissance zone exemption

Enter on this line the amount from Schedule RZ, Part 1, line 16. **Attach Schedule RZ.**

Line 5 New or expanding business income exemption

If the corporation qualified for the new or expanding business income exemption under N.D.C.C. ch. 40-57.1, enter the exempt portion of the corporation's trade or business income. See N.D. Admin. Code § 81-03-01.1-06 for guidance on calculating the amount of the exempt income. **Attach a statement showing the calculation of the exempt income.**

Line 6 Worksheet (for Schedule BG) North Dakota net operating loss deduction

1. Net recognized built-in gain from Form 60, Schedule BG, line 2 **1** _____
2. Apportionment factor from Schedule FACT, line 14 **2** _____
3. North Dakota apportioned built-in gain.
Multiply line 1 by line 2 **3** _____
4. Accumulated North Dakota net operating loss as of the end of the last tax year as a C corporation.
Enter as a positive number **4** _____
5. Portion of line 4 that was previously deducted for North Dakota income tax purposes by the corporation.
Enter as a positive number **5** _____
6. Remaining North Dakota net operating loss.
Subtract line 5 from line 4. If less than zero, enter -0- **6** _____
7. North Dakota net operating loss deduction. Enter smaller of line 3 or line 6. Enter result on Schedule BG, line 6 **7** _____

2007 Corporation Tax Rate Schedule

If the amount on
Schedule BG, line 7 is: The tax is equal to:

Over	But not over	
\$ 0	\$ 3,000	2.60% of the amount on line 7
3,000	8,000	78.00 + 4.10% of the amount over 3,000
8,000	20,000	283.00 + 5.60% of the amount over 8,000
20,000	30,000	955.00 + 6.40% of the amount over 20,000
30,000		1,595.00 + 6.50% of the amount over 30,000

Line 6**Beginning farmer deductions**

If the corporation is a partner in a North Dakota partnership, enter the amount (if any) from North Dakota Schedule K-1 (Form 58), Part 3, lines 6a through 6c, on the applicable line.

Line 7**Beginning entrepreneur deduction**

If the corporation qualified for the beginning entrepreneur rental deduction under a lease contract entered into in a tax year beginning before January 1, 2007, and the lease term under that contract expires in a tax year beginning after December 31, 2006, enter up to \$25,000 of the net rental income derived from that unexpired contract during the 2007 tax year. **Attach a copy of the Beginning Entrepreneur Statement.**

Line 8**Eminent domain gain**

Enter on this line the taxable portion of a gain from a disposition of property due to the exercise of eminent domain.

Line 9**Renaissance zone historic property preservation tax credit**

Enter on this line the amount from Schedule RZ, Part 4, line 10. **Attach Schedule RZ.**

Line 10**Renaissance fund organization investment tax credit**

Enter on this line the amount from Schedule RZ, Part 5, line 7. **Attach Schedule RZ.**

Line 11**Seed capital investment credit**

If the corporation invested in a qualified business for purposes of the seed capital investment tax credit, multiply the total amount invested during the 2007 tax year by 45% and enter the result on this line.

Line 12**Ag commodity investment credit**

If the corporation invested in a qualified business for purposes of the agricultural commodity processing facility investment tax credit, multiply the total amount invested during the 2007 tax year by 30% and enter the result on this line.

Line 13**Biodiesel fuel supplier credit**

If the corporation is a licensed supplier of biodiesel fuel, it is allowed a credit equal to five cents per gallon for blending biodiesel

fuel having at least a 5% blend ("B5") that meets ASTM specifications. For this purpose, a "supplier" means a person who distributes the biodiesel fuel from a terminal in North Dakota. Enter the credit on this line. **Attach a statement showing the calculation of the credit.**

Line 14**Biodiesel fuel seller credit**

If the corporation is a licensed seller of biodiesel fuel, it is allowed a credit equal to 10% of the costs to adapt or add equipment to its facility to enable it to sell diesel fuel having at least a 2% biodiesel blend ("B2") that meets ASTM specifications. For this purpose, a "seller" means a person who acquires the fuel from a wholesale supplier or distributor for resale to a consumer at a retail location. Except for costs incurred before January 1, 2005, include eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin. The credit is allowed in each of five tax years, starting with the tax year in which sales of the eligible biodiesel fuel begin. **Attach a statement showing the calculation of the credit.**

Line 15a**Biomass, geothermal, solar, or wind energy device credit**

If the corporation installed a qualifying biomass, geothermal, solar, or wind energy device on property it owns or leases in North Dakota, it is allowed a credit equal to 3% of the costs of acquisition and installation. The credit is allowed in each of five tax years, starting with the tax year in which the installation is completed. For more information, see N.D.C.C. § 57-38-01.8. **Attach a statement describing the device, a detailed list of the costs of acquisition and installation, and the date the device was completely installed.**

Line 15b**Purchased biomass, geothermal, solar, or wind energy device credit**

Enter on this line a biomass, geothermal, solar, or wind energy device credit obtained from another taxpayer through a sale, assignment, or transfer. For details, see N.D.C.C. § 57-38-01.8.

Line 16**Certified ND nonprofit development corporation investment credit**

If the corporation purchased membership in, paid dues to, or made a contribution to a certified North Dakota nonprofit development corporation, multiply the total amount paid

(but no more than \$8,000) by 25% and enter the result on this line. **Attach a copy of the Certified Nonprofit Development Corporation Investment Reporting Form received from the corporation.**

Line 17a**Employer internship program credit**

If the corporation hired an eligible college student under a qualifying internship program set up in North Dakota, it is allowed a credit equal to 10% of the compensation paid to the intern. For details, see N.D.C.C. § 57-38-01.24. The corporation is allowed no more than \$3,000 of credits for all tax years.

Line 17a. Enter the allowable credit on this line.

Line 17b. Enter the number of eligible interns hired during the 2007 tax year. *Disregard this line if the credit is from a passthrough entity.*

Line 17c. Enter on this line the total compensation paid to eligible interns during the 2007 tax year (as shown on their 2007 Form W-2s). *Disregard this line if the credit is from a passthrough entity.*

Line 18**Microbusiness credit**

If the corporation is certified as a microbusiness by the North Dakota Commerce Department, it is allowed a tax credit equal to 20% of the eligible cost of new investment in property and new employment. For details, see N.D.C.C. § 57-38-01.27. The corporation is allowed no more than \$10,000 of tax credits for all tax years.

Line 18a. Enter the allowable credit on this line.

Line 18b. Enter on this line the amount of qualifying new investment made during the 2007 tax year on which the credit was based. *Disregard this line if the credit is from a passthrough entity.*

Line 18c. Enter on this line the amount of compensation paid for qualifying new employment during the 2007 tax year on which the credit was based. *Disregard this line if the credit is from a passthrough entity.*

Line 19**Research expense credit**

If the corporation conducted qualified research in North Dakota, it is allowed a tax credit on qualified research expenses in excess of base period research expenses. The credit is equal to 25% of the first \$100,000 of excess qualified expenses plus an additional

credit on excess qualified expenses over \$100,000 at a credit rate that is dependent on the tax year in which it first conducted qualified research in North Dakota. For details, see N.D.C.C. § 57-38-30.5.

Line 19a. Enter the allowable credit on this line. *Do not include on this line any research credit obtained from another taxpayer through a sale, assignment, or transfer—report this amount on Line 19b.*

Line 19b. Enter on this line a research credit obtained from another taxpayer through a sale, assignment, or transfer. For details, see N.D.C.C. § 57-38-30.5.

Line 20 Endowment fund tax credit

If the corporation made a charitable contribution to a qualified endowment fund in North Dakota, it is allowed a tax credit equal to 40% of the contribution, up to a maximum credit of \$10,000. For details, see N.D.C.C. § 57-38-01.21. Enter the credit on this line.

Line 21 Allocable (nonbusiness) income

Lines 21a and 21b apply only if the corporation:

- Is a multistate corporation, i.e., it carries on its business both within and without North Dakota;
- Has one or more nonresident individual, estate, or trust shareholders; and
- Has nonbusiness income as defined under N.D. Admin. Code § 81-03-09-03.

Nonbusiness income is not apportioned using the apportionment factor but is allocated within or without North Dakota as provided under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08 and N.D. Admin. Code § 81-03-09-09. Expenses must be attributed to the nonbusiness income in a manner that fairly distributes all of the corporation's expenses to its business and nonbusiness income.

If the corporation has an item of nonbusiness income subject to allocation, the corporation must take this into account when calculating the North Dakota distributive share of income or loss reportable on Schedule KS and Schedule K-1 for a nonresident individual, estate, or trust shareholder. See the instructions to Schedule KS, Column 6, for more information. In addition to completing lines 21a and 21b, the corporation must attach the following to Form 60:

- A statement on which each item of nonbusiness income is shown along with its related expenses.
- A statement explaining the basis for treating the item of income as nonbusiness income subject to allocation.
- If an item of nonbusiness income is allocated to a state other than North Dakota, a copy of that other state's income tax return must be attached. If the corporation is not required to file an income tax return with the other state, the corporation must indicate this in the attached statement.

Line 21a. Enter the total allocable income (less related expenses) from all sources within and without North Dakota.

Line 21b. Enter the portion of the amount on line 21a that is allocable to North Dakota.

Line 22 Disposition of I.R.C. Section 179 property

Lines 22a through 22d apply only if the corporation sold, exchanged, or disposed of property for which an I.R.C. Section 179 deduction was passed through to the shareholders. *[Note: The corporation is required to report this same information on a separate statement attached to Federal Form 1120S, Schedule K, line 17d (code E).]*

For lines 22a through 22d, multiply the corresponding combined amount for all shareholders as reported on Federal Form 1120S, Schedule K, line 17d (code E), by the North Dakota apportionment factor from Schedule FACT, line 14, and enter the result. However, if the property disposed of is treated as a nonbusiness asset the gain or loss from which is subject to allocation under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08, subtract the amounts for that asset before multiplying by the apportionment factor. Include the nonbusiness gain or loss from the disposition on Schedule K, line 21.

Line 23 Real estate tax information

The 2007 North Dakota Legislature, in Senate 2032, set up a 2-year property tax relief program. Part of the program provides an income tax credit for property taxes paid on North Dakota property that is classified as commercial for property tax purposes. In the first year of the program, the commercial property tax credit is based on the 2006 real estate taxes and 2007 mobile home taxes that became due in 2007, and the credit is to be claimed on the 2007 North Dakota income tax return.

In the case of an S corporation, the corporation does not calculate nor claim the commercial property tax credit on the 2007 Form 60; instead, the shareholders who held an ownership interest in the corporation on the due date of the property taxes are allowed to claim their share of the property taxes paid by the corporation for purposes of claiming the credit on their 2007 North Dakota income tax return. To verify the amount of the property taxes claimed by the shareholders, the corporation must provide the property tax information requested on lines 23a and 23b.

Important: Do not enter the information from these lines on Schedule K-1 (Form 60). Regardless of whether the corporation files on a calendar year or fiscal year basis, the 2006 real estate taxes and 2007 mobile home taxes paid on North Dakota commercial property must be claimed by the shareholders on their 2007 North Dakota income tax return.

Line 23a. Enter the total 2006 real estate and 2007 mobile home taxes that the corporation paid on all commercial property located in North Dakota. This is the "consolidated tax" shown on the annual real estate or mobile home tax statement. Do not include special assessments and do not subtract any discount, regardless of whether or not the discount was taken.

Line 23b. If the corporation held an interest in a partnership or limited liability company, enter on this line the corporation's share of the 2006 real estate taxes and 2007 mobile home taxes paid by the other entity on its North Dakota commercial property.

Instructions for Schedule KS (Form 60, page 5)

Schedule KS must be completed to provide information about each shareholder.

In the case of a nonresident individual shareholder only, the schedule must show the shareholder's distributive share of North Dakota income (loss) and the amount of North Dakota income tax withheld or the amount of composite income tax paid on the shareholder's distributive share of North Dakota income. If the corporation has more than seven shareholders, complete and attach additional schedules as needed to list all shareholders. If more than one Schedule KS is needed, complete lines 1 through 4 on only one of them, and include the combined amount for all of the schedules on that one schedule.

All Shareholders (Columns 1 through 5)

Columns 1 and 2

Enter the full name, address, and federal identification number as shown on the shareholder's Federal Schedule K-1. In Column 1, enter the name on the first line, and the complete mailing address on the second line.

Column 3

Identify the entity type of the shareholder by entering the applicable code letter as follows:

Entity type	Code letter
Individual	I
Trust	T
Decedent's estate	D
Bankruptcy estate	B
Exempt organization	O

If the shareholder is a limited liability company (LLC) that is disregarded as a separate entity for federal income tax purposes, enter the code letter for the type of entity of the LLC's owner.

Note: The "Trust" entity type only applies to a trust that files Federal Form 1041.

Column 4

Enter the shareholder's stock ownership percentage as shown on the shareholder's Federal Schedule K-1.

Column 5

Enter the sum of the following items from the shareholder's Federal Schedule K-1 (Form 1120S), Part III:

- Box 1** Ordinary business income (loss)
- Box 2** Net rental real estate income (loss)
- Box 3** Other net rental income (loss)
- Box 4** Interest income
- Box 5a** Ordinary dividends
- Box 6** Royalties
- Box 7** Net short-term capital gain (loss)
- Box 8a** Net long-term capital gain (loss)
- Box 9** Net section 1231 gain (loss)
- Box 10** Other income (loss)
- Box 11** Section 179 deduction
- Box 12** Other deductions (*Only include the deductions allowed as a deduction from gross income in calculating adjusted gross income for federal income tax purposes.*)
- Box 17** (Code K only) Include the gain (loss) from I.R.C. Section 179 property disposition (*For purposes of calculating the gain or loss, include all of the Section 179*

Column 6 Worksheet

For nonresident individual shareholders only—see instructions to Schedule KS, Column 6.

1. Shareholder's amount from Column 5 **1**
2. Allocable income (less related expenses) included in the amount on line 1 **2**
3. Interest from U.S. obligations included in the amount on line 1 **3**
4. Add lines 2 and 3 **4**
5. Apportionable income (loss). Subtract line 4 from line 1 **5**
6. Apportionment factor from Schedule FACT, line 14 **6**
7. Multiply line 5 by line 6 **7**
8. Income (less related expenses) **reportable to North Dakota** **8**
9. Add lines 7 and 8. Enter result in Column 6..... **9**

deduction passed through to the shareholder, regardless of whether or not the shareholder actually deducted all of it.)

Nonresident Individual Shareholders Only (Columns 6 through 8)

Column 6

Nonresident individual only

Complete Column 6 for each nonresident individual shareholder. Multiply the shareholder's amount in Column 5 by the apportionment factor from Schedule FACT, line 14, and enter the result in Column 6. However, complete the **Column 6 Worksheet** on this page to calculate the amount to enter in Column 6 if either or both of the following apply:

- The corporation has an item of nonbusiness income subject to allocation. See the instructions to North Dakota Schedule K, line 21, on page 5 for more information.
- The amount in Column 5 includes interest from U.S. obligations.

Column 7

Nonresident individual only

If the shareholder is a nonresident individual, and if the amount in Column 6 is \$1,000 or more, multiply the amount in Column 6 by 5.54% (.0554) and enter the result in Column 7. However, the following exceptions apply:

- If the nonresident individual partner completed a Form PWA, enter the amount from line 6 of Form PWA in Column 7, and check the box under "Form PWA."

- If the nonresident individual partner elected to be included in a composite return, leave Column 7 blank and see the instructions to Column 8.

See "Withholding from nonresident individual partners" on page 2 for more information.

Column 8

Nonresident individual only

Complete Column 8 for each nonresident individual shareholder who elected to be included in a composite return filed by the corporation. Multiply the nonresident individual shareholder's amount in Column 6 by 5.54% (.0554) and enter the result in Column 8. If the amount in Column 6 is zero or less, enter zero in Column 8. See "Composite filing method" on page 2 for more information.

Specific line instructions for page 1 of Form 60, lines 1-11

Complete Schedule FACT, Schedule BG, Schedule K, and Schedule KS before completing lines 1 through 11 on page 1 of Form 60.

Line 5

Estimated tax payments

Enter the amount paid with the 2007 Form 60-EXT and 2007 Form 60-ES. However, if this is an amended return, do not enter the amount paid with the 2007

Form 60-EXT or 2007 Form 60-ES; instead, enter the amount of the total taxes due from line 4 of the previously filed original or amended 2007 Form 60.

Line 7

Application of overpayment to 2008

If there is an overpayment on line 6, the corporation may elect to apply part or all of it as an estimated payment toward its 2008 tax liability. To make the election, enter the portion of line 6 to be applied on line 7. If this election is made, the election and the amount applied may not be changed after the return is filed. If this is an amended return, do not make an entry on this line.

Line 9

Tax due

The tax due must be paid in full with the return. A check or money order made payable to the "ND State Tax Commissioner" must be submitted with the return.

Line 10

Penalty and interest

The Office of State Tax Commissioner will notify the corporation of any penalty and interest payable on a tax due shown on Form 60. However, the corporation may calculate the penalty and interest amounts and include them in the balance due on Form 60.

Penalty. Calculate the penalty amount as follows:

- If Form 60 is filed on or before the due date (or extended due date), but the full amount of the tax due is not paid with the return, the penalty is equal to 5% of the unpaid tax or \$5.00, whichever is greater.
- If Form 60 is not filed on or before the due date (or extended due date), the penalty is equal to 5% of the tax due or \$5.00, whichever is greater, for the month in which the return was due plus 5% of the tax due for each additional month (or fraction of a month) during which the return remains delinquent, not to exceed 25% of the tax due.

Interest. Calculate the interest amount as follows:

- If an extension of time to file Form 60 was obtained, extension interest is calculated at the rate of 12% per year on any tax due from the due date of the return to the earlier of the extended due date or the date the return was filed.

- If any tax due is not paid by the due date (or extended due date) of the return, interest is calculated at the rate of 1% per month (or fraction of a month) on the unpaid tax, except for the month in which the return was due.

Instructions for Schedule K-1

With the exception of the taxes on excess net passive income and built-in gains, an S corporation is not subject to North Dakota income tax. Instead, the shareholders are responsible for reporting and paying any applicable North Dakota income tax on their shares of the corporation's income reportable to North Dakota.

North Dakota Schedule K-1 (Form 60) must be used by an S corporation to provide information that shareholders will need to complete a North Dakota income tax return. The information to be included in the schedule will depend on the type of shareholder.

North Dakota Schedule K-1 (Form 60) must be completed and given to:

- Each nonresident individual, estate, or trust shareholder.
- Each qualified subchapter S trust (QSST) and electing small business trust (ESBT) with a nonresident individual or estate beneficiary.
- Each North Dakota resident individual, estate, or trust shareholder having a North Dakota adjustment or tax credit as reported on Form 60, Schedule K, lines 1 through 20.

A North Dakota Schedule K-1 does not have to be completed nor given to a North Dakota resident individual, estate, or trust if there are no North Dakota adjustments or tax credits on Schedule K. All income of a North Dakota resident individual, estate, or trust is subject to North Dakota income tax, regardless of its source.

In addition to the North Dakota Schedule K-1, the corporation must provide the shareholder with a copy of the *Shareholder's Instructions to North Dakota Schedule K-1 (Form 60)*.

A copy of all required North Dakota Schedule K-1s must be enclosed with Form 60 along with any required supplemental statements.

Amended schedule. If a corporation files an amended Federal Form 1120S, or if the IRS makes any changes to the Federal Form 1120S, the corporation must file an amended Form 60 for the same tax year, and must issue amended North Dakota Schedule K-1s to its shareholders. Check the "Amended" box at the top of the North Dakota Schedule K-1.

Final schedule. Check the "Final" box at the top of the North Dakota Schedule K-1 if it is the last one to be issued by the corporation to the shareholder.

Part 1

Corporation information

Items A and B

Enter the name, address, and federal employer identification number (FEIN) of the corporation as shown on the shareholder's Federal Schedule K-1.

Part 2

Shareholder information

Item C

Enter the social security number or federal employer identification number (FEIN) of the shareholder as shown on the shareholder's Federal Schedule K-1.

Item D

Enter the name and address of the shareholder as shown on the shareholder's Federal Schedule K-1.

Item E

Enter the same code letter shown in Column 3 of Schedule KS of Form 60.

Item F

If the shareholder is an individual, estate, or trust, check the applicable box to indicate the legal residency status of the shareholder for North Dakota income tax purposes. If an individual shareholder changed his or her legal residency to or from North Dakota during the tax year, check the part-year resident status. In the case of an estate or trust shareholder, only the full-year resident or full-year nonresident status will apply.

Item G

For only a nonresident individual shareholder, indicate whether the shareholder is included in a composite return filed by the corporation by checking the applicable box.

Item H

Enter the shareholder's stock ownership percentage as shown on the shareholder's Federal Schedule K-1.

Part 3 **All shareholders—** **North Dakota adjustments** **and tax credits**

If there are any North Dakota adjustments or tax credits on Form 60, Schedule K, lines 1 through 20, complete this part for all shareholders.

Lines 1 through 8 **Adjustments**

Nonresident individual, estate, or trust shareholder only. Multiply each amount shown on Form 60, Schedule K, lines 1 through 8, by the same percentage used to determine the shareholder's distributive share of income (loss) from the corporation. Then, multiply this result by the apportionment factor from Schedule FACT, line 14. Enter the result on the corresponding line of Part 3, lines 1 through 8.

Other shareholders. Multiply each amount shown on Form 60, Schedule K, lines 1 through 8, by the same percentage used to determine the shareholder's distributive share of income (loss) from the corporation. Enter the result on the corresponding line of Part 3, lines 1 through 8.

Lines 9 through 20 **Tax credits**

Multiply each amount shown on Form 60, Schedule K, lines 9 through 20, by the shareholder's stock ownership percentage from North Dakota Schedule K-1, Part 2, Item H, and enter the result on the corresponding line of Part 3, lines 9 through 20.

Part 4 **Nonresident individual,** **estate, or trust shareholder** **only—North Dakota income** **(loss)**

Complete Part 4 for only a nonresident individual, estate, or trust shareholder.

Line 21
Corporation's apportionment factor
Enter the corporation's apportionment factor from Schedule FACT, line 14.

Lines 22 through 34 **Income and loss items**

Except as explained below, multiply the corresponding amount from the shareholder's Federal Schedule K-1, Part III, boxes 1 through 12, and any I.R.C. § 179 property disposition gain (loss) included in box 17 by the corporation's apportionment factor from Schedule FACT, line 14, and enter the result on the corresponding line of Part 4, lines 22 through 34.

For "Other deductions" from box 12 of Federal Schedule K-1, only include deductions that are allowed as a deduction from gross income in calculating adjusted gross income for federal income tax purposes.

For purposes of calculating the gain or loss for I.R.C. § 179 property dispositions included in box 17 of the Federal Schedule K-1, include all of the Section 179 deduction passed through to the shareholder, regardless of whether or not the shareholder actually deducted all of it.

Allocable income exception. If the corporation treated any distributable item of income from the shareholder's Federal Schedule K-1 as nonbusiness income subject to allocation, calculate the amount to enter on the corresponding line of this part in the following steps:

1. Subtract the net nonbusiness income (gross amount less related expenses) from the applicable distributable amount shown on the Federal Schedule K-1.
2. Multiply the remaining distributive amount, if any, (from step 1) by the corporation's apportionment factor from Schedule FACT, line 14.
3. Add the result (from step 2) to the portion, if any, of the net nonbusiness income **allocable to North Dakota**, and enter the result on the corresponding line of Part 4.

*Note: If any portion of the net nonbusiness income removed from the distributable amount (in step 1 above) is **allocable** outside North Dakota, do not enter it anywhere on North Dakota Schedule K-1 (Form 60).*

If the calculation of any amount on lines 22 through 34 of Part 4 was affected by the removal or inclusion of net nonbusiness income, attach a statement to the shareholder's North Dakota Schedule K-1 (Form 60) identifying the net nonbusiness income and showing the calculation of the amount entered on the applicable line(s) of Part 4.

Part 5 **Nonresident individual** **shareholder only**

Complete Part 5 for a nonresident individual shareholder only.

Line 35 **ND distributive share of income** **(loss)**

Enter the shareholder's North Dakota distributive share of income (loss) from Form 60, Schedule KS, Column 6.

Line 36
ND income tax withheld
Enter the amount of North Dakota income tax withheld from the shareholder's North Dakota distributive share of income from Form 60, Schedule KS, Column 7.

Line 37
ND composite income tax
Enter the amount of North Dakota composite income tax on the shareholder's North Dakota distributive share of income from Form 60, Schedule KS, Column 8.

Before you file **Form 60**

Signatures

The return must be signed and dated by a corporate officer or an authorized representative of the corporation.

If the corporation pays someone other than one of its employees to prepare the return, the paid preparer also must sign and date the return.

Preparer authorization check-off

The corporation may authorize the North Dakota Office of State Tax Commissioner (Tax Department) to discuss matters pertaining to its 2007 Form 60 with the preparer who signed it. To do so, check the box in the lower right-hand corner of page 1 of Form 60 next to the signature area. This authorization applies only to the individual whose signature and printed name appears in the paid preparer section of the signature area. It does not apply to the firm, if any, shown in that section.

By checking the box, the corporation authorizes the Tax Department to contact the preparer to answer any questions that may arise during the processing of the corporation's return. It also authorizes the preparer to respond to the questions and

to provide any information missing from the return, to contact the Tax Department to inquire about the status of the return's processing and related refund or payment, and to respond to Tax Department notices that the corporation shares with the preparer pertaining to math errors or return preparation. *(Tax Department notices will not be sent directly to the preparer.)*

This authorization automatically expires on the due date (excluding extensions) for filing the **2008 Form 60**.

This authorization ***does not*** authorize the preparer to receive a refund check, to bind the corporation in any way (including any additional tax liability), or to represent the corporation before the Tax Department for any other purpose. To expand the preparer's authorization, the corporation must complete and file North Dakota Form 500, *Authorization to Disclose Tax Information and Designation of Representative*, with the Tax Department.

Assembling a paper return

Please assemble Form 60 and its required attachments in the following order:

1. Form 60.
2. Schedule FACT / Schedule BG.
2. Schedule K.
3. Schedule KS.
4. North Dakota Schedule K-1s
5. Supporting statements required in instructions.
6. Complete copy of Form 1120S including Federal Schedule K-1s.

Staple all documents (except check or money order) together at the ***top center*** of Form 60. Enclose a check or money order made payable to: ND State Tax Commissioner. ***Do not send cash.***

**60 S corporation income tax return****2007**

A This return is filed for: ☐ **Calendar year 2007** (Jan. 1 - Dec. 31, 2007)
☐ **Fiscal year:** Beginning _____, 2007, and ending _____, 20__

B Corporation's name (legal)			C Federal EIN *		
Doing business as name (if different from legal name)			D Business code no. (see instructions)		
Mailing address			E Date incorporated _____ month _____ day _____ year		
City		State	Apt. or Suite No.		
Zip Code		F Check all that apply:			

G TOTAL number of shareholders ----- ▶ _____					
Enter number of —					
Resident individual shareholders ----- ▶ _____		Trust/estate shareholders ----- ▶ _____			
Nonresident individual shareholders ----- ▶ _____		Tax-exempt organization shareholders ----- ▶ _____			

- ☐ Initial return
☐ Final return
☐ Farming/ranching corporation ☐ Amended return
☐ Composite return ☐ Extension

H Does this return include a qualified subchapter S subsidiary (QSSS)? ----- ☐ Yes ☐ No

● **Before completing lines 1 through 11 on this page, complete Schedule FACT, Schedule K, and Schedule KS.**

● **After completing Form 60, complete North Dakota Schedule K-1 (Form 60) for the shareholders.**

1 Tax on excess net passive income and built-in gains, if any (from page 2, Schedule BG, line 8) ----- ▶	1 _____
2 Income tax withheld from nonresident individual shareholders (from page 5, Schedule KS, line 3) ----- ▶	2 _____
3 Composite income tax for electing nonresident individual shareholders (from page 5, Schedule KS, line 4) ----- ▶	3 _____
4 Total taxes due. Add lines 1, 2, and 3 ----- ▶	4 _____
5 Estimated tax paid on 2007 Forms 60-ES and 60-EXT plus an overpayment applied from 2006 return ----- ▶	5 _____
6 Overpayment. If line 5 is more than line 4, subtract line 4 from line 5 and enter result; otherwise, go to line 9. If result is less than \$5.00, enter -0- ----- ▶	6 _____
7 Amount of line 6 to be credited to 2008 estimated tax ----- ▶	7 _____
8 Refund. Subtract line 7 from line 6. If result is less than \$5.00, enter -0- ----- REFUND ▶	8 _____
9 Tax due. If line 4 is more than line 5, subtract line 5 from line 4. If result is less than \$5.00, enter -0- ----- ▶	9 _____
10 Penalty ▶ _____ Interest ▶ _____ Enter total penalty and interest ---	10 _____
11 Balance due. Add lines 9 and 10 ----- BALANCE DUE	11 _____

● **Attach a complete copy of the 2007 Form 1120S (including Federal Schedule K-1s)**

● **Attach a copy of all North Dakota Schedule K-1s (Form 60)**

I declare that this return is correct and complete to the best of my knowledge and belief.

*** Privacy Act - See inside front cover of booklet**

Signature of officer		Date		<input type="checkbox"/> I authorize the ND Office of State Tax Commissioner to discuss this return with the paid preparer. For Tax Department Use Only
Print name of officer		Phone		
Paid preparer signature		Date		
Print name of paid preparer	EIN/SSN/PTIN	Phone		

Mail to: Office of State Tax Commissioner, 600 E. Blvd. Ave., Dept. 127, Bismarck, ND 58505-0599

FEIN

**60 S corporation income tax return****2007**

A This return is filed for: ☐ **Calendar year 2007** (Jan. 1 - Dec. 31, 2007)
☐ **Fiscal year:** Beginning _____, 2007, and ending _____, 20__

B Corporation's name (legal)			C Federal EIN *		
Doing business as name (if different from legal name)			D Business code no. (see instructions)		
Mailing address			E Date incorporated _____ month _____ day _____ year		
City		State	Apt. or Suite No. Zip Code		

G TOTAL number of shareholders ----- ▶ _____					
Enter number of —					
Resident individual shareholders ----- ▶ _____		Trust/estate shareholders ----- ▶ _____			
Nonresident individual shareholders ----- ▶ _____		Tax-exempt organization shareholders ----- ▶ _____			

F Check all that apply:

☐ Initial return

☐ Final return

☐ Farming/ranching corporation ☐ Amended return

☐ Composite return ☐ Extension

H Does this return include a qualified subchapter S subsidiary (QSSS)? ----- ☐ Yes ☐ No

● **Before completing lines 1 through 11 on this page, complete Schedule FACT, Schedule K, and Schedule KS.**

● **After completing Form 60, complete North Dakota Schedule K-1 (Form 60) for the shareholders.**

1 Tax on excess net passive income and built-in gains, if any (from page 2, Schedule BG, line 8) ----- ▶	1 _____
2 Income tax withheld from nonresident individual shareholders (from page 5, Schedule KS, line 3) ----- ▶	2 _____
3 Composite income tax for electing nonresident individual shareholders (from page 5, Schedule KS, line 4) ----- ▶	3 _____
4 Total taxes due. Add lines 1, 2, and 3 ----- ▶	4 _____
5 Estimated tax paid on 2007 Forms 60-ES and 60-EXT plus an overpayment applied from 2006 return ----- ▶	5 _____
6 Overpayment. If line 5 is more than line 4, subtract line 4 from line 5 and enter result; otherwise, go to line 9. If result is less than \$5.00, enter -0- ----- ▶	6 _____
7 Amount of line 6 to be credited to 2008 estimated tax ----- ▶	7 _____
8 Refund. Subtract line 7 from line 6. If result is less than \$5.00, enter -0- ----- REFUND ▶	8 _____
9 Tax due. If line 4 is more than line 5, subtract line 5 from line 4. If result is less than \$5.00, enter -0- ----- ▶	9 _____
10 Penalty ▶ _____ Interest ▶ _____ Enter total penalty and interest ---	10 _____
11 Balance due. Add lines 9 and 10 ----- BALANCE DUE	11 _____

● **Attach a complete copy of the 2007 Form 1120S (including Federal Schedule K-1s)**

● **Attach a copy of all North Dakota Schedule K-1s (Form 60)**

I declare that this return is correct and complete to the best of my knowledge and belief.			* Privacy Act - See inside front cover of booklet		
Signature of officer		Date	<input type="checkbox"/> I authorize the ND Office of State Tax Commissioner to discuss this return with the paid preparer. For Tax Department Use Only		
Print name of officer		Phone			
Paid preparer signature		Date			
Print name of paid preparer	EIN/SSN/PTIN	Phone			

Mail to: Office of State Tax Commissioner, 600 E. Blvd. Ave., Dept. 127,
Bismarck, ND 58505-0599



Enter name of corporation _____

FEIN _____

Schedule FACT Calculation of North Dakota apportionment factor

IMPORTANT: All corporations must complete the applicable portions of this schedule as follows:

- **100% ND corporation:** If the corporation conducts all of its business within North Dakota, skip lines 1 through 13, and enter 1.000000 on line 14.
- **Multistate corporation:** If the corporation conducts its business within and without North Dakota, complete lines 1 through 14 of this schedule. However, if all shareholders consist of only North Dakota resident individuals, estates, and trusts, skip lines 1 through 13, enter 1.000000 on line 14, and check this box ☐

Property factor	Column 1 Total	Column 2 North Dakota	Column 3 Factor (Col. 2 ÷ Col. 1)
Average value at original cost of real and tangible personal property used in the business.			Result must be carried to six decimal places
1 Inventories -----	1 _____	_____	
2 Buildings and other fixed depreciable assets -----	2 _____	_____	
3 Depletable assets -----	3 _____	_____	
4 Land -----	4 _____	_____	
5 Other assets (Attach schedule) -----	5 _____	_____	
6 Rented property (Annual rental multiplied by 8) -----	6 _____	_____	
7 Total property (Add lines 1 through 6) ----- ►	7 _____	► _____	► <u> </u> . <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>
Payroll factor			
8 Wages, salaries, commissions and other compensation of employees reported on Federal Form 1120S (If the amount in Column 2 does not agree with the compensation reported for North Dakota unemployment insurance purposes, attach an explanation) ----- ►	8 _____	► _____	► <u> </u> . <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>
Sales factor			
9 Gross receipts or sales, less returns and allowances (from Federal Form 1120S, page 1, line 1c) -----	9 _____		
10 Sales delivered or shipped to North Dakota destinations -----	10 _____		
11 a Sales shipped from North Dakota to the U.S. Government -----	11a _____		
b Sales shipped from North Dakota to purchasers in a state or foreign country where the corporation does not have a filing requirement -----	11b _____		
12 Total sales. Add lines 9 through 11b ----- ►	12 _____	► _____	► <u> </u> . <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>
13 Sum of factors. Add lines 7, 8, and 12 in Column 3 -----			13 <u> </u> . <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>
14 Apportionment factor Divide line 13 by 3.0; however, if line 7, 8, or 12 of Column 1 is zero, divide line 13 by the number of factors (on lines 7, 8, and 12) showing an amount greater than zero in Column 1 ----- ►			14 <u> </u> . <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>

Schedule BG Tax on excess passive income and built-in gains

1 Excess net passive income subject to federal tax on Federal Form 1120S ----- ►	1 _____
2 Built-in gains subject to federal tax on Federal Form 1120S, Schedule D ----- ►	2 _____
3 Add lines 1 and 2 -----	3 _____
4 Apportionment factor from Schedule FACT, line 14 ----- ►	4 <u> </u> . <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>
5 North Dakota apportioned income. Multiply line 3 by line 4 -----	5 _____
6 North Dakota NOL deduction from worksheet in instructions (Attach worksheet) ----- ►	6 _____
7 North Dakota taxable income. Subtract line 6 from line 5 ----- ►	7 _____
8 Tax from 2007 Corporation Tax Rate Schedule in instructions. Enter on Form 60, page 1, line 1 ----- ►	8 _____



Enter name of corporation _____

FEIN _____

Schedule K **Total North Dakota adjustments, credits, and other items**
distributable to shareholders
All corporations must complete this schedule

North Dakota addition adjustments

- 1** Federally-exempt income from non-North Dakota state and local bonds and foreign securities ----- **1** _____
- 2** State and local income taxes deducted on federal corporation return in calculating its ordinary income (loss) ----- **2** _____

North Dakota subtraction adjustments

- 3** Interest from U.S. obligations ----- **3** _____
- 4** Renaissance zone business or investment income exemption ----- **4** _____
- 5** New or expanding business income exemption ----- **5** _____
- 6** Beginning farmer deductions:
- a** Gain from sale of land to a qualified beginning farmer ----- **6a** _____
- b** Interest income from contract for sale of land to a qualified beginning farmer ----- **6b** _____
- c** Rental income (less related expenses) from lease of land to a qualified beginning farmer ----- **6c** _____
- 7** Rental income (less related expenses) from lease of a business to a qualified beginning entrepreneur ----- **7** _____
- 8** Gain from eminent domain sale ----- **8** _____

North Dakota tax credits

- 9** Renaissance zone: Historic property preservation or renovation tax credit ----- **9** _____
- 10** Renaissance zone: Renaissance fund organization investment tax credit ----- **10** _____
- 11** Seed capital investment tax credit ----- **11** _____
- 12** Agricultural commodity processing facility investment tax credit ----- **12** _____
- 13** Supplier (wholesaler) biodiesel fuel tax credit ----- **13** _____
- 14** Seller (retailer) biodiesel fuel tax credit ----- **14** _____
- 15 a** Biomass, geothermal, solar, or wind energy device tax credit ----- **15a** _____
- b** Biomass, geothermal, solar, or wind energy device tax credit purchased from another taxpayer ----- **15b** _____
- 16** Certified North Dakota nonprofit development corporation tax credit ----- **16** _____
- 17 a** Employer internship program tax credit ----- **17a** _____
- b** Number of eligible interns hired in 2007 ----- **17b** _____
- c** Total compensation paid to eligible interns in 2007 ----- **17c** _____
- 18 a** Microbusiness tax credit ----- **18a** _____
- b** Qualifying new investment ----- **18b** _____
- c** Qualifying new employment ----- **18c** _____
- 19 a** Research expense tax credit ----- **19a** _____
- b** Research expense tax credit purchased from another taxpayer ----- **19b** _____
- 20** Endowment fund tax credit ----- **20** _____

Other items

Line 21 applies only to a multistate corporation— see instructions

- 21 a** Total allocable income from all sources (net of related expenses) ----- **21a** _____
- b** Portion of line 21a that is allocable to North Dakota ----- **21b** _____



Enter name of corporation _____

FEIN _____

Schedule K *continued* . . .

Line 22 applies to all corporations — see instructions

22 For disposition(s) of I.R.C. Section 179 property, enter the North Dakota apportioned amounts — see instructions:

a Gross sales price or amount realized	22a _____
b Cost or other basis plus expense of sale	22b _____
c Depreciation allowed or allowable (excluding I.R.C. Section 179 deduction)	22c _____
d I.R.C. Section 179 deduction related to property that was passed through to shareholders	22d _____

Line 23 applies to all corporations — see instructions

23 a Total 2006 real estate taxes and 2007 mobile home taxes paid on all directly owned commercial properties located in North Dakota	23a _____
b Corporation's share of 2006 real estate taxes and 2007 mobile home taxes on North Dakota commercial property paid by another passthrough entity in which the corporation held an interest	23b _____



Enter name of corporation _____

FEIN _____

Schedule K **Total North Dakota adjustments, credits, and other items**
distributable to shareholders
All corporations must complete this schedule

North Dakota addition adjustments

- 1** Federally-exempt income from non-North Dakota state and local bonds and foreign securities ----- **1** _____
- 2** State and local income taxes deducted on federal corporation return in calculating its ordinary income (loss) ----- **2** _____

North Dakota subtraction adjustments

- 3** Interest from U.S. obligations ----- **3** _____
- 4** Renaissance zone business or investment income exemption ----- **4** _____
- 5** New or expanding business income exemption ----- **5** _____
- 6** Beginning farmer deductions:
- a** Gain from sale of land to a qualified beginning farmer ----- **6a** _____
- b** Interest income from contract for sale of land to a qualified beginning farmer ----- **6b** _____
- c** Rental income (less related expenses) from lease of land to a qualified beginning farmer ----- **6c** _____
- 7** Rental income (less related expenses) from lease of a business to a qualified beginning entrepreneur ----- **7** _____
- 8** Gain from eminent domain sale ----- **8** _____

North Dakota tax credits

- 9** Renaissance zone: Historic property preservation or renovation tax credit ----- **9** _____
- 10** Renaissance zone: Renaissance fund organization investment tax credit ----- **10** _____
- 11** Seed capital investment tax credit ----- **11** _____
- 12** Agricultural commodity processing facility investment tax credit ----- **12** _____
- 13** Supplier (wholesaler) biodiesel fuel tax credit ----- **13** _____
- 14** Seller (retailer) biodiesel fuel tax credit ----- **14** _____
- 15 a** Biomass, geothermal, solar, or wind energy device tax credit ----- **15a** _____
- b** Biomass, geothermal, solar, or wind energy device tax credit purchased from another taxpayer ----- **15b** _____
- 16** Certified North Dakota nonprofit development corporation tax credit ----- **16** _____
- 17 a** Employer internship program tax credit ----- **17a** _____
- b** Number of eligible interns hired in 2007 ----- **17b** _____
- c** Total compensation paid to eligible interns in 2007 ----- **17c** _____
- 18 a** Microbusiness tax credit ----- **18a** _____
- b** Qualifying new investment ----- **18b** _____
- c** Qualifying new employment ----- **18c** _____
- 19 a** Research expense tax credit ----- **19a** _____
- b** Research expense tax credit purchased from another taxpayer ----- **19b** _____
- 20** Endowment fund tax credit ----- **20** _____

Other items

Line 21 applies only to a multistate corporation— see instructions

- 21 a** Total allocable income from all sources (net of related expenses) ----- **21a** _____
- b** Portion of line 21a that is allocable to North Dakota ----- **21b** _____



Enter name of corporation _____

FEIN _____

Schedule K *continued . . .*

Line 22 applies to all corporations — see instructions

22 For disposition(s) of I.R.C. Section 179 property, enter the North Dakota apportioned amounts — see instructions:

a Gross sales price or amount realized	22a _____
b Cost or other basis plus expense of sale	22b _____
c Depreciation allowed or allowable (excluding I.R.C. Section 179 deduction)	22c _____
d I.R.C. Section 179 deduction related to property that was passed through to shareholders	22d _____

Line 23 applies to all corporations — see instructions

23 a Total 2006 real estate taxes and 2007 mobile home taxes paid on all directly owned commercial properties located in North Dakota	23a _____
b Corporation's share of 2006 real estate taxes and 2007 mobile home taxes on North Dakota commercial property paid by another passthrough entity in which the corporation held an interest	23b _____



Enter name of corporation _____

FEIN _____

Schedule KS Shareholder information

All corporations must complete this schedule

- Complete Columns 1 through 5 for EVERY shareholder
- Complete Column 6 if shareholder is a nonresident individual
- If applicable, complete Column 7 or Column 8 for nonresident individual shareholder only

Shareholder	All Shareholders			
	Column 1	Column 2	Column 3	Column 4
	Name and address of shareholder <i>If additional lines are needed, attach additional pages</i>	Social Security Number/FEIN	Type of entity <i>(See pg. 7 of instr.)</i>	Ownership %
A	Name _____ Address _____			
B	Name _____ Address _____			
C	Name _____ Address _____			
D	Name _____ Address _____			
E	Name _____ Address _____			
F	Name _____ Address _____			
G	Name _____ Address _____			

Shareholder	All Shareholders	Nonresident Individual Shareholders Only			
	Complete this column for ALL shareholders	Important: Columns 6 through 8 are for nonresident individual shareholders only.			
	Column 5	Column 6	Column 7		Column 8
	Federal distributive share of income (loss)	North Dakota distributive share of income (loss)	North Dakota income tax withheld (5.54%)	Form PWA	North Dakota composite income tax (5.54%)
A				<input type="checkbox"/>	
B				<input type="checkbox"/>	
C				<input type="checkbox"/>	
D				<input type="checkbox"/>	
E				<input type="checkbox"/>	
F				<input type="checkbox"/>	
G				<input type="checkbox"/>	
1 Total for Column 5 1					
2 Total for Column 6 2					
3 Total for Column 7. Enter this amount on Form 60, page 1, line 2 3					
4 Total for Column 8. Enter this amount on Form 60, page 1, line 3 4					



Enter name of corporation _____

FEIN _____

Schedule KS Shareholder information

All corporations must complete this schedule

- Complete Columns 1 through 5 for EVERY shareholder
- Complete Column 6 if shareholder is a nonresident individual
- If applicable, complete Column 7 or Column 8 for nonresident individual shareholder only

Shareholder	All Shareholders			
	Column 1	Column 2	Column 3	Column 4
	Name and address of shareholder <i>If additional lines are needed, attach additional pages</i>	Social Security Number/FEIN	Type of entity <i>(See pg. 7 of instr.)</i>	Ownership %
A	Name _____ Address _____			
B	Name _____ Address _____			
C	Name _____ Address _____			
D	Name _____ Address _____			
E	Name _____ Address _____			
F	Name _____ Address _____			
G	Name _____ Address _____			

Shareholder	All Shareholders	Nonresident Individual Shareholders Only			
	Complete this column for ALL shareholders	Important: Columns 6 through 8 are for nonresident individual shareholders only.			
	Column 5	Column 6	Column 7		Column 8
	Federal distributive share of income (loss)	North Dakota distributive share of income (loss)	North Dakota income tax withheld (5.54%)	Form PWA	North Dakota composite income tax (5.54%)
A				<input type="checkbox"/>	
B				<input type="checkbox"/>	
C				<input type="checkbox"/>	
D				<input type="checkbox"/>	
E				<input type="checkbox"/>	
F				<input type="checkbox"/>	
G				<input type="checkbox"/>	
1 Total for Column 5 1					
2 Total for Column 6 2					
3 Total for Column 7. Enter this amount on Form 60, page 1, line 2 3					
4 Total for Column 8. Enter this amount on Form 60, page 1, line 3 4					



North Dakota Office of State Tax Commissioner

**North Dakota
Schedule K-1
(Form 60)**

2007

**Shareholder's Share of North Dakota Income (Loss),
Deductions, Adjustments, Credits, and Other Items**

▶ See separate instructions

Part 1 Corporation information

A Corporation's federal EIN _____

B Corporation's name, address, city, state, and ZIP code _____

Part 2 Shareholder information

C Shareholder's SSN or FEIN (from Federal Schedule K-1) _____

D Shareholder's name, address, city, state, and ZIP code
(from Federal Schedule K-1) _____

E What type of entity is this shareholder? _____

F If shareholder is an individual, estate, or trust, shareholder is a:

☐ **Full-year resident** of North Dakota ☐ **Part-year resident**
of North Dakota

☐ **Full-year nonresident** of North Dakota

G Is shareholder included in a composite return? ☐ Yes ☐ No

H Shareholder's stock ownership percentage: _____ %

**Part 3 All shareholders - North Dakota adjustments
and tax credits**

- 1** Federally-exempt income from non-ND state
and local bonds and foreign securities _____
- 2** State and local income taxes deducted in
calculating ordinary income (loss) _____
- 3** Interest from U.S. obligations _____
- 4** Renaissance zone income exemption _____
- 5** New or expanding business exemption _____
- 6 a** Beginning farmer gain deduction _____
- b** Beginning farmer interest deduction _____
- c** Beginning farmer rent deduction _____
- 7** Beginning entrepreneur rent deduction _____
- 8** Gain from eminent domain sale _____

☐ Final ☐ Amended

Corporation's ☐ **Calendar year 2007** (Jan. 1 - Dec. 31, 2007)

tax year: ☐ **Fiscal year:** Beginning _____, 2007
Ending _____, 20 ____

Part 3 continued . . .

- 9** Renaissance zone: Historic property
preservation/renovation tax credit _____
- 10** Renaissance zone: Renaissance fund
organization investment tax credit _____
- 11** Seed capital investment tax credit _____
- 12** Agricultural commodity processing
facility investment tax credit _____
- 13** Supplier biodiesel fuel tax credit _____
- 14** Seller biodiesel fuel tax credit _____
- 15** Biomass, geothermal, solar, or wind energy
device tax credit _____
- 16** Certified North Dakota nonprofit development
corporation investment tax credit _____
- 17** Employer internship program tax credit _____
- 18** Microbusiness tax credit _____
- 19** Research expense tax credit _____
- 20** Endowment fund tax credit _____

**Part 4 Nonresident individual, estate or trust
shareholder only - North Dakota income (loss)**

- 21** Corporation's apportionment factor _____
- 22** Ordinary income (loss) _____
- 23** Net rental real estate income (loss) _____
- 24** Other net rental income (loss) _____
- 25** Interest income _____
- 26** Ordinary dividends _____
- 27** Royalties _____
- 28** Net short-term capital gain (loss) _____
- 29** Net long-term capital gain (loss) _____
- 30** Net section 1231 gain (loss) _____
- 31** Other income (loss) _____
- 32** Section 179 deduction _____
- 33** Other deductions _____
- 34** I.R.C. Section 179 property disposition
gain (loss) _____

Part 5 Nonresident individual shareholder only

- 35** North Dakota distributive share of income
(loss) _____
- 36** North Dakota income tax withheld _____
- 37** North Dakota composite income tax _____



North Dakota Office of State Tax Commissioner

**North Dakota
Schedule K-1
(Form 60)**

2007

**Shareholder's Share of North Dakota Income (Loss),
Deductions, Adjustments, Credits, and Other Items**

▶ See separate instructions

Part 1 Corporation information

A Corporation's federal EIN _____

B Corporation's name, address, city, state, and ZIP code _____

Part 2 Shareholder information

C Shareholder's SSN or FEIN (from Federal Schedule K-1) _____

D Shareholder's name, address, city, state, and ZIP code
(from Federal Schedule K-1) _____

E What type of entity is this shareholder? _____

F If shareholder is an individual, estate, or trust, shareholder is a:

☐ **Full-year resident** of North Dakota ☐ **Part-year resident**
of North Dakota

☐ **Full-year nonresident** of North Dakota

G Is shareholder included in a composite return? ☐ Yes ☐ No

H Shareholder's stock ownership percentage: _____ %

**Part 3 All shareholders - North Dakota adjustments
and tax credits**

- 1** Federally-exempt income from non-ND state
and local bonds and foreign securities _____
- 2** State and local income taxes deducted in
calculating ordinary income (loss) _____
- 3** Interest from U.S. obligations _____
- 4** Renaissance zone income exemption _____
- 5** New or expanding business exemption _____
- 6 a** Beginning farmer gain deduction _____
- b** Beginning farmer interest deduction _____
- c** Beginning farmer rent deduction _____
- 7** Beginning entrepreneur rent deduction _____
- 8** Gain from eminent domain sale _____

☐ Final ☐ Amended

Corporation's ☐ **Calendar year 2007** (Jan. 1 - Dec. 31, 2007)

tax year: ☐ **Fiscal year:** Beginning _____, 2007
Ending _____, 20 ____

Part 3 continued . . .

- 9** Renaissance zone: Historic property
preservation/renovation tax credit _____
- 10** Renaissance zone: Renaissance fund
organization investment tax credit _____
- 11** Seed capital investment tax credit _____
- 12** Agricultural commodity processing
facility investment tax credit _____
- 13** Supplier biodiesel fuel tax credit _____
- 14** Seller biodiesel fuel tax credit _____
- 15** Biomass, geothermal, solar, or wind energy
device tax credit _____
- 16** Certified North Dakota nonprofit development
corporation investment tax credit _____
- 17** Employer internship program tax credit _____
- 18** Microbusiness tax credit _____
- 19** Research expense tax credit _____
- 20** Endowment fund tax credit _____

**Part 4 Nonresident individual, estate or trust
shareholder only - North Dakota income (loss)**

- 21** Corporation's apportionment factor _____
- 22** Ordinary income (loss) _____
- 23** Net rental real estate income (loss) _____
- 24** Other net rental income (loss) _____
- 25** Interest income _____
- 26** Ordinary dividends _____
- 27** Royalties _____
- 28** Net short-term capital gain (loss) _____
- 29** Net long-term capital gain (loss) _____
- 30** Net section 1231 gain (loss) _____
- 31** Other income (loss) _____
- 32** Section 179 deduction _____
- 33** Other deductions _____
- 34** I.R.C. Section 179 property disposition
gain (loss) _____

Part 5 Nonresident individual shareholder only

- 35** North Dakota distributive share of income
(loss) _____
- 36** North Dakota income tax withheld _____
- 37** North Dakota composite income tax _____

2007**Shareholder's Instructions for North Dakota Schedule K-1 (Form 60)****Purpose of schedule**

North Dakota Schedule K-1 (Form 60) is provided to you by the corporation to show your share of the income, gains, losses, deductions, and other items from the corporation that you need to complete your North Dakota income tax return. These instructions will assist you in transferring the amounts from the schedule to your North Dakota income tax return.

Resident individual, estate, or trust

shareholder. If you are a North Dakota resident individual, estate, or trust, you must report to North Dakota your entire share of the corporation's income, gains, losses, and deductions included in your federal taxable income. You have received North Dakota Schedule K-1 only to show your share of the corporation's North Dakota statutory adjustments or tax credits that may affect the preparation of your North Dakota income tax return. See the instructions to Part 3.

Nonresident individual, estate, or trust

shareholder. If you are a nonresident individual, estate, or trust, you must report to North Dakota your share of the corporation's income, gains, losses, and deductions that are apportioned and allocated to North Dakota based on the corporation's activity in North Dakota. These items are shown in Part 4 of North Dakota Schedule K-1. Unless you are a nonresident individual who elected to include your share of these items in a composite return filed on your behalf by the corporation, you must file a North Dakota income tax return to report and pay the required income tax on them.

Composite return election. If you are a nonresident individual who elected to include your share of the corporation's North Dakota income, gains, losses, and deductions in a composite return filed by the corporation, you are not required to file a North Dakota individual income tax return. If this applies to you, you received North Dakota Schedule K-1 to show your share of these items and the composite income tax paid on them. If you later choose to file your own North Dakota individual income tax return, follow the instructions below to transfer the amounts from North Dakota Schedule K-1 to your return.

Amended Schedule K-1 (Form 60). If you received an amended North Dakota Schedule K-1 (Form 60) from the corporation, and you previously filed a North Dakota income tax return to report your share of income, etc., from the corporation, you must file an amended North Dakota income tax return to report the changes in income, gains, losses, and deductions. You also must attach a copy of the amended North Dakota Schedule K-1 (Form 60) to your amended North Dakota income tax return.

Part 3**All shareholders—North Dakota adjustments and tax credits**

Note: Wherever you see "Not applicable" in the right-hand column of the following lists, it means that the item does not apply to the return being completed; do not enter the item on the return.

Lines 1–20

Form ND-1 filer:

Include the amount

from this schedule:	On:
Lines 1–2	Not applicable
Line 3	Form ND-1, line 6
Line 4	Sch. RZ, Part 1, line 14
Line 5	Form ND-1SA, line 2
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Sch. ND-1TC, line 4
Line 12	Sch. ND-1TC, line 3
Line 13	Sch. ND-1TC, line 6
Line 14	Sch. ND-1TC, line 7
Lines 15–16	Not applicable
Line 17	Sch. ND-1TC, line 8a
Line 18	Sch. ND-1TC, line 9a
Line 19	Sch. ND-1TC, line 10a
Line 20	Sch. ND-1TC, line 12

Form ND-2 (Schedule 2 filer only):

Include the amount

from this schedule:	On:
Line 1	Sch. 2, line 2
Line 2	Sch. 2, line 3
Line 3	Sch. 2, line 7
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 2, line 19
Line 6a	Sch. 2, line 14
Line 6b	Sch. 2, line 12
Line 6c	Sch. 2, line 13
Line 7	Sch. 2, line 16

Line 8	Sch. 2, line 19
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11–20	Page 1, line 14

Form ND-2 (Schedule 3 filer only):

Include the amount from this schedule:

On:	
Line 1	Sch. 3, Part 1, line 12
Line 2	Sch. 3, Part 1, line 17
Line 3	Not applicable
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 3, Part 1, line 5
Line 6a	Sch. 3, Part 1, line 4
Line 6b	Sch. 3, Part 1, line 2
Line 6c	Sch. 3, Part 1, line 3
Lines 7–8	Sch. 3, Part 1, line 5
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–20	Page 1, line 4

Form 38 (Schedule 1 filer only):

Include the amount from this schedule:

On:	
Lines 1–2	Not applicable
Line 3	Sch. 1, Part 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 1, Part 1, line 4c
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–14	Form 38, page 1, line 3
Lines 15–16	Not applicable
Lines 17–20	Form 38, page 1, line 3

Form 38 (Schedule 2 filer only):

Include the amount from this schedule:

On:	
Lines 1–2	Sch. 2, Part 1, line 2
Line 3	Sch. 2, Part 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Lines 5–8	Sch. 2, Part 1, line 4a
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–20	Form 38, page 1, line 3

Part 4

Nonresident individual, estate, or trust shareholders only—North Dakota income (loss)

Line 21

Enter the corporation's apportionment factor from Schedule FACT, line 14.

Lines 22–34

If you are a nonresident individual, estate, or trust, lines 22 through 34 of Part 4 show your share of the corporation's North Dakota income, gains, losses, and deductions that you must report on your North Dakota income tax return. Transfer these amounts to your North Dakota income tax return as instructed below based on the type of return you are filing.

If the full amount of any item is not included in your adjusted gross income on your federal income tax return because of limitations on the deductibility of a passive activity loss, capital loss, section 179 deduction, or for any other reason, enter on your North Dakota return only that portion of the item included in your federal adjusted gross income. **Attach a statement to your North Dakota income tax return explaining any difference between an amount shown on North Dakota Schedule K-1 (Form 60) and the amount reported on your North Dakota income tax return.**

Form ND-1 filer (nonresident only):

Include the amount On Schedule ND-1NR,
from this schedule: Column B:

Lines 22–24	Line 6
Lines 25–26	Line 2
Line 27	Line 6
Lines 28–30	Line 4
Line 31	Line 8
Lines 32–33	Line 6
Line 34	Line 4

Form ND-2 filer (nonresident only):

Include the amount On Schedule 3, Part 2,
from this schedule: Column B:

Lines 22–24	Line 6
Lines 25–26	Line 2
Line 27	Line 6
Lines 28–30	Line 4
Line 31	Line 8
Lines 32–33	Line 6
Line 34	Line 4

Form 38, Schedule 1 filer (nonresident only)

Include the amount On Schedule 1, Part 2,
from this schedule: Column B:

Lines 22–24	Line 5
Line 25	Line 1
Line 26	Line 2
Line 27	Line 5
Lines 28–29	Line 4
Line 30	Line 4 or 7
Line 31	Line 8
Lines 32–33	Line 5
Line 34	Line 4 or 7

Form 38, Schedule 2 filer (nonresident only)

Include the amount On Schedule 2, Part 2,
from this schedule: Column B:

Lines 22–24	Line 5
Line 25	Line 1
Line 26	Line 2
Line 27	Line 5
Lines 28–29	Line 4
Line 30	Line 4 or 7
Line 31	Line 8
Lines 32–33	Line 5
Line 34	Line 4 or 7

Part 5

Nonresident individual shareholders only

Lines 35 through 37 apply to a nonresident individual shareholder only.

Line 35

This is the net amount of your North Dakota distributive share of income (loss) from the corporation. Do not enter the amount from this line anywhere on your return. **It is for your information only.**

If you have a North Dakota distributive share of income of \$1,000 or more, the corporation was required to withhold North Dakota income tax from it at the rate of 5.54% unless you elected to include it in a composite return filed by the corporation.

Line 36

The amount shown on this line is the amount of North Dakota income tax withheld by the corporation from your North Dakota distributive share of income. Include this amount on Form ND-1, line 26, or Form ND-2, page 1, line 8. **Attach a copy of North Dakota Schedule K-1 (Form 60) to your return.**

Line 37

If you elected to include your North Dakota distributive share of income (loss) in a composite return, the amount shown on this line is the amount of North Dakota composite income tax paid on your behalf by the corporation. If you made this election, you are not required to file your own North Dakota individual income tax return. **This is for your information only.**

Note: If you later choose to file your own North Dakota individual income tax return, you may claim this amount as a tax payment on your return. Attach a copy of the North Dakota Schedule K-1 (Form 60) to your return to support the amount claimed.

2007**Shareholder's Instructions for North Dakota Schedule K-1 (Form 60)****Purpose of schedule**

North Dakota Schedule K-1 (Form 60) is provided to you by the corporation to show your share of the income, gains, losses, deductions, and other items from the corporation that you need to complete your North Dakota income tax return. These instructions will assist you in transferring the amounts from the schedule to your North Dakota income tax return.

Resident individual, estate, or trust

shareholder. If you are a North Dakota resident individual, estate, or trust, you must report to North Dakota your entire share of the corporation's income, gains, losses, and deductions included in your federal taxable income. You have received North Dakota Schedule K-1 only to show your share of the corporation's North Dakota statutory adjustments or tax credits that may affect the preparation of your North Dakota income tax return. See the instructions to Part 3.

Nonresident individual, estate, or trust

shareholder. If you are a nonresident individual, estate, or trust, you must report to North Dakota your share of the corporation's income, gains, losses, and deductions that are apportioned and allocated to North Dakota based on the corporation's activity in North Dakota. These items are shown in Part 4 of North Dakota Schedule K-1. Unless you are a nonresident individual who elected to include your share of these items in a composite return filed on your behalf by the corporation, you must file a North Dakota income tax return to report and pay the required income tax on them.

Composite return election. If you are a nonresident individual who elected to include your share of the corporation's North Dakota income, gains, losses, and deductions in a composite return filed by the corporation, you are not required to file a North Dakota individual income tax return. If this applies to you, you received North Dakota Schedule K-1 to show your share of these items and the composite income tax paid on them. If you later choose to file your own North Dakota individual income tax return, follow the instructions below to transfer the amounts from North Dakota Schedule K-1 to your return.

Amended Schedule K-1 (Form 60). If you received an amended North Dakota Schedule K-1 (Form 60) from the corporation, and you previously filed a North Dakota income tax return to report your share of income, etc., from the corporation, you must file an amended North Dakota income tax return to report the changes in income, gains, losses, and deductions. You also must attach a copy of the amended North Dakota Schedule K-1 (Form 60) to your amended North Dakota income tax return.

Part 3**All shareholders—North Dakota adjustments and tax credits**

Note: Wherever you see "Not applicable" in the right-hand column of the following lists, it means that the item does not apply to the return being completed; do not enter the item on the return.

Lines 1–20

Form ND-1 filer:

Include the amount

from this schedule:	On:
Lines 1–2	Not applicable
Line 3	Form ND-1, line 6
Line 4	Sch. RZ, Part 1, line 14
Line 5	Form ND-1SA, line 2
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Sch. ND-1TC, line 4
Line 12	Sch. ND-1TC, line 3
Line 13	Sch. ND-1TC, line 6
Line 14	Sch. ND-1TC, line 7
Lines 15–16	Not applicable
Line 17	Sch. ND-1TC, line 8a
Line 18	Sch. ND-1TC, line 9a
Line 19	Sch. ND-1TC, line 10a
Line 20	Sch. ND-1TC, line 12

Form ND-2 (Schedule 2 filer only):

Include the amount

from this schedule:	On:
Line 1	Sch. 2, line 2
Line 2	Sch. 2, line 3
Line 3	Sch. 2, line 7
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 2, line 19
Line 6a	Sch. 2, line 14
Line 6b	Sch. 2, line 12
Line 6c	Sch. 2, line 13
Line 7	Sch. 2, line 16

Line 8	Sch. 2, line 19
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11–20	Page 1, line 14

Form ND-2 (Schedule 3 filer only):

Include the amount from this schedule:

On:	
Line 1	Sch. 3, Part 1, line 12
Line 2	Sch. 3, Part 1, line 17
Line 3	Not applicable
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 3, Part 1, line 5
Line 6a	Sch. 3, Part 1, line 4
Line 6b	Sch. 3, Part 1, line 2
Line 6c	Sch. 3, Part 1, line 3
Lines 7–8	Sch. 3, Part 1, line 5
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–20	Page 1, line 4

Form 38 (Schedule 1 filer only):

Include the amount from this schedule:

On:	
Lines 1–2	Not applicable
Line 3	Sch. 1, Part 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 1, Part 1, line 4c
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–14	Form 38, page 1, line 3
Lines 15–16	Not applicable
Lines 17–20	Form 38, page 1, line 3

Form 38 (Schedule 2 filer only):

Include the amount from this schedule:

On:	
Lines 1–2	Sch. 2, Part 1, line 2
Line 3	Sch. 2, Part 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Lines 5–8	Sch. 2, Part 1, line 4a
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–20	Form 38, page 1, line 3

Part 4

Nonresident individual, estate, or trust shareholders only—North Dakota income (loss)

Line 21

Enter the corporation's apportionment factor from Schedule FACT, line 14.

Lines 22–34

If you are a nonresident individual, estate, or trust, lines 22 through 34 of Part 4 show your share of the corporation's North Dakota income, gains, losses, and deductions that you must report on your North Dakota income tax return. Transfer these amounts to your North Dakota income tax return as instructed below based on the type of return you are filing.

If the full amount of any item is not included in your adjusted gross income on your federal income tax return because of limitations on the deductibility of a passive activity loss, capital loss, section 179 deduction, or for any other reason, enter on your North Dakota return only that portion of the item included in your federal adjusted gross income. **Attach a statement to your North Dakota income tax return explaining any difference between an amount shown on North Dakota Schedule K-1 (Form 60) and the amount reported on your North Dakota income tax return.**

Form ND-1 filer (nonresident only):

Include the amount On Schedule ND-1NR,
from this schedule: Column B:

Lines 22–24	Line 6
Lines 25–26	Line 2
Line 27	Line 6
Lines 28–30	Line 4
Line 31	Line 8
Lines 32–33	Line 6
Line 34	Line 4

Form ND-2 filer (nonresident only):

Include the amount On Schedule 3, Part 2,
from this schedule: Column B:

Lines 22–24	Line 6
Lines 25–26	Line 2
Line 27	Line 6
Lines 28–30	Line 4
Line 31	Line 8
Lines 32–33	Line 6
Line 34	Line 4

Form 38, Schedule 1 filer (nonresident only)

Include the amount On Schedule 1, Part 2,
from this schedule: Column B:

Lines 22–24	Line 5
Line 25	Line 1
Line 26	Line 2
Line 27	Line 5
Lines 28–29	Line 4
Line 30	Line 4 or 7
Line 31	Line 8
Lines 32–33	Line 5
Line 34	Line 4 or 7

Form 38, Schedule 2 filer (nonresident only)

Include the amount On Schedule 2, Part 2,
from this schedule: Column B:

Lines 22–24	Line 5
Line 25	Line 1
Line 26	Line 2
Line 27	Line 5
Lines 28–29	Line 4
Line 30	Line 4 or 7
Line 31	Line 8
Lines 32–33	Line 5
Line 34	Line 4 or 7

Part 5

Nonresident individual shareholders only

Lines 35 through 37 apply to a nonresident individual shareholder only.

Line 35

This is the net amount of your North Dakota distributive share of income (loss) from the corporation. Do not enter the amount from this line anywhere on your return. **It is for your information only.**

If you have a North Dakota distributive share of income of \$1,000 or more, the corporation was required to withhold North Dakota income tax from it at the rate of 5.54% unless you elected to include it in a composite return filed by the corporation.

Line 36

The amount shown on this line is the amount of North Dakota income tax withheld by the corporation from your North Dakota distributive share of income. Include this amount on Form ND-1, line 26, or Form ND-2, page 1, line 8. **Attach a copy of North Dakota Schedule K-1 (Form 60) to your return.**

Line 37

If you elected to include your North Dakota distributive share of income (loss) in a composite return, the amount shown on this line is the amount of North Dakota composite income tax paid on your behalf by the corporation. If you made this election, you are not required to file your own North Dakota individual income tax return. **This is for your information only.**

Note: If you later choose to file your own North Dakota individual income tax return, you may claim this amount as a tax payment on your return. Attach a copy of the North Dakota Schedule K-1 (Form 60) to your return to support the amount claimed.

